

Mr. President, this draft language floating around the Defense Department at this point needs close scrutiny. It really worries me, and it should worry the taxpayers because there is going to be less accountability of bureaucrats, who are responsible for spending the money, to the taxpayers if we would change existing law.

I ask unanimous consent that the document I referred to earlier be printed in the RECORD.

There being no objection the material was ordered to be printed in the RECORD, as follows:

EXCERPT FROM DRAFT BILL

SEC. . ACCOUNTING FOR CONTRACT FINANCING PAYMENTS.

Section 2307 of title 10, United States Code, is amended by adding at the end the following new subsection (i):

“(i) **ACCOUNTING FOR PAYMENTS.**—Payments under this section based upon a contract that is funded by multiple appropriations or multiple subdivisions within one appropriation may be paid from any one or more of the appropriations or subdivisions thereof funding the contract. However, proper accounting adjustments shall be made to conform to the requirements of subsection (a) of section 1301 of title 31 upon final payment for the items or services delivered and accepted in performance of the contract.”.

SECTIONAL ANALYSIS

This proposal would authorize the Secretary of Defense, when making contract financing payments for a contract funded by multiple appropriations or multiple subdivisions within an appropriation, to charge any one or more of the appropriations or subdivisions thereof. The benefit of this section under 10 U.S.C. § 2307, “Contract Financing” is to the temporary spreading of payments for work-in-process costs across appropriations funding the contract. This legislative relief will permit us the flexibility to exercise our stewardship over the public moneys more efficiently and effectively.

This section remedies a long standing and on-going problem in the current contract payment process that attempts to assign contract financing payments to a specific appropriation when the process is not capable of efficiently providing the need information. The Department of Defense (DOD) uses the contract financing authority at 10 U.S.C. § 2307, as implemented by Federal Acquisition Regulation Part 32, for many of its contracts. These provisions authorize the disbursement of funds to a contractor prior to the acceptance of goods and services. Contract financing includes advance, partial payments under cost reimbursable contracts and progress payments. Pursuant to this authority, contractors receive progress payments from DOD to finance work performed under DOD contracts. These payments for work-in-process may be for specific work or tasks, or for production line setup and equipment or tooling for the entire contract and in some cases are not tied to specific work or tasks. The contracts are often funded with multiple and different appropriations.

In order to comply with 31 U.S.C. § 1301, which requires that appropriations be applied only for the purpose for which they were made, payments based upon the contractor's work-in process costs must be identified to specific work or tasks and the related appropriation funding the effort. However, given that the nature of the cost incurred during the work-in-process period may be funded by multiple appropriations and therefore, cannot be efficiently identified to a specific appropriation, compliance

with 31 U.S.C. § 1301 is difficult and time consuming. Furthermore, it is not cost effective or realistic to require additional government or contractor information or effort to determine the specific chargeable appropriations while making payments for work-in-process costs and for costs which are essentially a means of temporary financing for the contractor. In fact, this additional administrative work to develop the information would not significantly improve the precision of the estimate but would further increase the contractor and taxpayer costs. Currently, unless the specific line item and appropriation are identified to the payment office, contract financing payments are spread pro-rata across the appropriations funding the contract. During the work-in-process period, adequate controls exist to ensure that no appropriation is charged more than is available in the appropriation and, furthermore no payment is made without receipt of a proper government approved authorization to make the payment against the proper contract. The problem, however, is that this method is not in compliance with 31 U.S.C. § 1301.

The enactment of this bill permit this accounting flexibility when viewed in conjunction with 31 U.S.C. § 1301. The effect would be to provide a specific statutory exception to the requirements of 31 U.S.C. § 1301 until payment is made.

Mr. DORGAN addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota is recognized.

FAMILY FARMERS AND THE ALTERNATIVE MINIMUM TAX

Mr. DORGAN. Mr. President, while the Senator from Iowa is here, I wanted to comment on some remarks he made at the start of his presentation.

As the Presiding Officer and other Members may know, Senator GRASSLEY and I have cosponsored and introduced last week a piece of legislation dealing with this current Internal Revenue Service problem on the alternative minimum tax that is going to affect a lot of farmers in our part of the country.

I agree with the Senator from Iowa that the news that came out of the Internal Revenue Service this morning is indeed good news. The Internal Revenue Service, this morning, has indicated that it will, in effect, not enforce in 1996 a provision that it was intending to enforce, which we believe is a misinterpretation of tax law. What IRS was intending to do, in effect, on the alternative minimum tax was to force a number of family farmers to pay taxes on income they have not yet received.

We do not believe Congress ever intended for that kind of enforcement to occur, or for that interpretation of tax law to exist. We think the IRS was wrong.

The Senator from Iowa and I have repeatedly contacted the administration. I have visited with the Secretary of the Treasury and others to make this case. But, in any event, on a bipartisan basis, as the Senator from Iowa and I introduced legislation with 54 cosponsors—the Republican leader the Democratic leader are on the bill—it is clear, or would have been clear, it seems to

me, to the IRS and Treasury that this legislation will pass in this Congress and in effect say to the IRS that your interpretation of the law is wrong.

I think the IRS has, to its credit, understood now that to enforce in this year and put a fair number of farmers at risk—asking them to pay taxes on income they have not yet received—would be really a travesty of justice. The IRS today has taken the position that they will allow farmers to file tax returns in 1996 as they have in the past with respect to deferred contract commodity sales. And I commend them for taking that position.

I appreciate the cooperation of the IRS and the Treasury Secretary on this issue. It is the right thing to do. It is what the Senator from Iowa and I and others have been advocating they do.

So we have made some incremental progress today. That ought to be good news for farmers who have been worried about this issue of how the IRS will enforce and treat and audit the deferred contract commodity sales.

I just wanted to follow the remarks of the Senator from Iowa to say that I am pleased to work with him on it. It is an example of a bipartisan effort to fix a problem, and we have at least gone part of the way to fix this problem.

ORDER OF PROCEDURE

Mr. DORGAN. Mr. President, I would like to use 10 minutes of my time, and then I would like to yield 10 minutes of the time under my control to the Senator from South Carolina, Senator HOLLINGS.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The remarks of Mr. DORGAN, Mr. HOLLINGS, and Mr. FORD pertaining to the introduction of Senate Joint Resolution 12 are located in today's RECORD under “Statements on Introduced Bills and Joint Resolutions.”)

Mr. REID addressed the Chair.

EXTENSION OF MORNING BUSINESS

Mr. REID. Mr. President, I ask unanimous consent that the morning hour be extended until I am able to speak for 10 minutes as in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID. I thank the Chair.

(The remarks of Mr. REID pertaining to the introduction of S.J. Res. 12 are located in today's RECORD under “Statements on Introduced Bills and Joint Resolutions.”)

Mr. REID addressed the Chair.

The PRESIDING OFFICER. The Senator from Nevada.

(The remarks of Mr. REID pertaining to the introduction of S. 206 are located in today's RECORD under “Statements on Introduced Bills and Joint Resolutions.”)

Mr. HOLLINGS. Mr. President, I suggest the absence of a quorum.